U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NEWS RELEASE

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Bureau of Land Management to End Royalty Reductions for Low-Producing Oil Wells

The Bureau of Land Management (BLM) announced today that it will stop offering reduced royalty rates for certain low-producing oil wells known as "stripper wells." With a notice published in today's *Federal Register*, the BLM announced that it will end its Stripper Well Royalty Rate Reductions Program effective February 1, 2005. Under the BLM's existing regulations, the agency may terminate the royalty reductions when the inflation-adjusted price of oil exceeds $28 per barrel for six consecutive months.

"Terminating program benefits protects the interests of the public by ensuring that royalties due on public resources are not reduced inappropriately," said Tom Lonnie, BLM's Assistant Director for Minerals, Realty and Resource Protection. "Even though we won't continue to offer this incentive while the price of oil is high, we expect stripper oil wells will continue to produce given the current price of oil."

The BLM initiated the Stripper Well Royalty Rate Reductions Program in 1992 to encourage production from marginal oil wells.   The program was intended to ensure that stripper wells — defined as wells producing fewer than 15 barrels of oil per day — would remain in operation, thus maintaining a royalty revenue stream and preventing the premature abandonment of low-producing oil wells. The BLM studied the royalty-rate reduction issue in 1997 and, after completing an assessment, extended the program in 1998.

More recently, the BLM reviewed the stripper well program and found that with oil prices currently at or near historic highs, it is unnecessary to continue to provide this royalty rate reduction incentive. Based on the BLM's review, the price of West Texas Intermediate crude oil has exceeded $28 (as adjusted for inflation using the implicit price deflator for gross national product with 1991 as the base year) at all times during the last six months. Under existing regulations, the agency – before it can terminate the incentive – must wait six months after publishing a termination notice in the *Federal Register*. As a result, the termination of the reduced royalty rate will take effect on February 1, 2005.

The BLM, an agency of the U.S. Department of the Interior, manages more land – 261 million surface acres – than any other Federal agency. Most of this public land is located in 12 Western states, including Alaska. The Bureau, with a budget of about $1.8 billion, also administers 700 million acres of sub-surface mineral estate throughout the nation. The BLM's multiple-use mission is to sustain the health and productivity of the public lands for the use and enjoyment of present and future generations. The Bureau accomplishes this by managing such activities as outdoor recreation, livestock grazing, mineral development, and energy production, and by conserving natural, historical, cultural, and other resources on the public lands.

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